ARIZONA DEPARTMENT OF EDUCATION

Tom Horne, Superintendent of Public Instruction

LOCAL DIRECTORS MEETING
March 27 and April 5, 2007

Introduction and Welcome	**Milt Ericksen**
Announcements	
➢ Automotive Workshop	Joe Epperson
➢ Career Exploration	Paulett Ellis
➢ 2007 Basic Grant & Data Reporting Workshop	Nancy Schmidt
ACOVA Report	**Brenda Marietti**
ACTE Report	**Pam Ferguson**
Update on National State Directors' Conference	**Milt Ericksen**
Overview of Program Codes and Titles	**Paulett Ellis**
Fiscal Monitoring & Audit Issues	**Ted Davis**
Basic Grant Workshop Introduction	**Karlene Darby**

BREAK

Basic Grant Breakouts

➢ **See Attached Map(s)**

ADJOURN

DO NOT ENTER

DO NOT ENTER

DO NOT ENTER

DO NOT ENTER

A/V Room

Green Room

Stage (Optional)

Kosher Kitchen

Dance Floor (Optional)
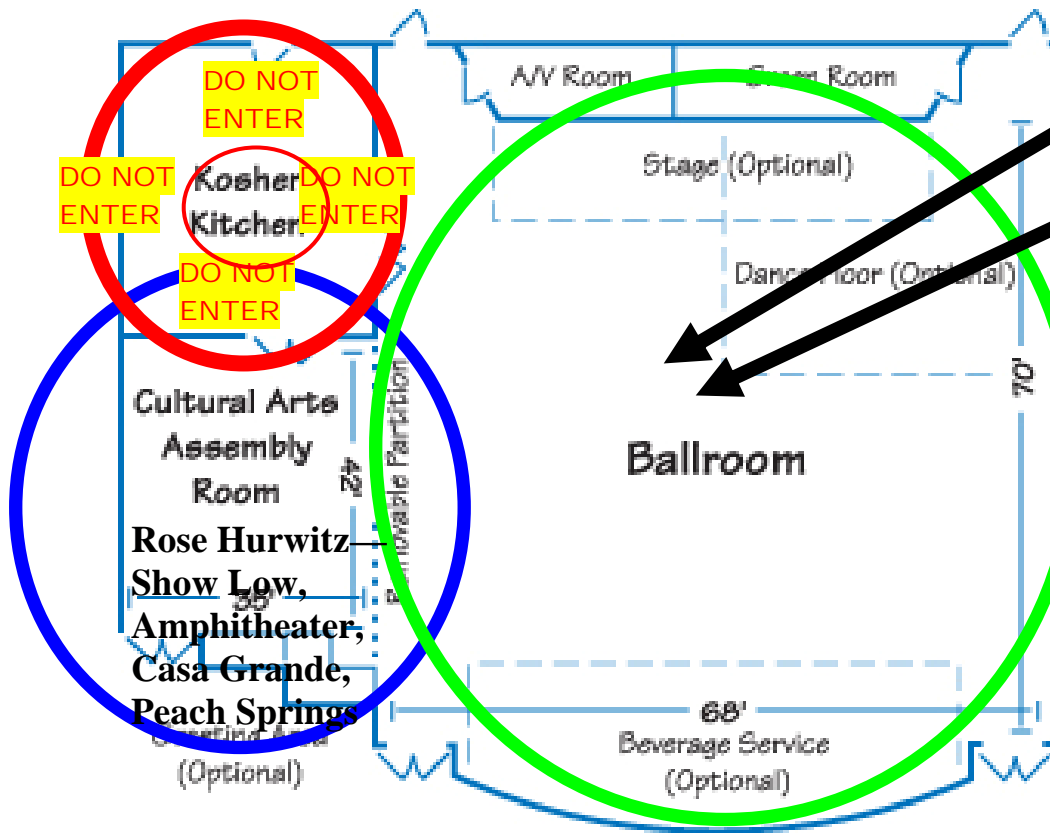
Main Assembly Area

And Breakout Room
Jeanne Roberts— Antelope, Catalina Foothills, Duncan, Flowing Wells, Joseph City, Mammoth San Manuel, Marana, Safford, San Carlos, Sunnyside, Tanque Verde, Thatcher, Tucson, Yuma, Deer Valley

Cultural Arts Assembly Room

Rose Hurwitz— Show Low, Amphitheater, Casa Grande, Peach Springs

Ballroom

70'

42'

Movable Partition

68'

Seating Area (Optional)

Beverage Service (Optional)

Reception Area (Optional)

State Supervisors, Finance, Accountability, Workforce Development, Non-Traditional Folks

Jewish Heritage Center

Gerry Corcoran— Benson, Bisbee, Bowie, Douglas, Nogales, Patagonia, Sahuarita, San Simon, Santa Cruz RR, Sierra Vista, St. David, Tombstone, Vail, Valley Union, Willcox

J-Care Room (not shown) is on the second floor

Roger Ellis—Coolidge, Florence, Hayden, Heber, Young
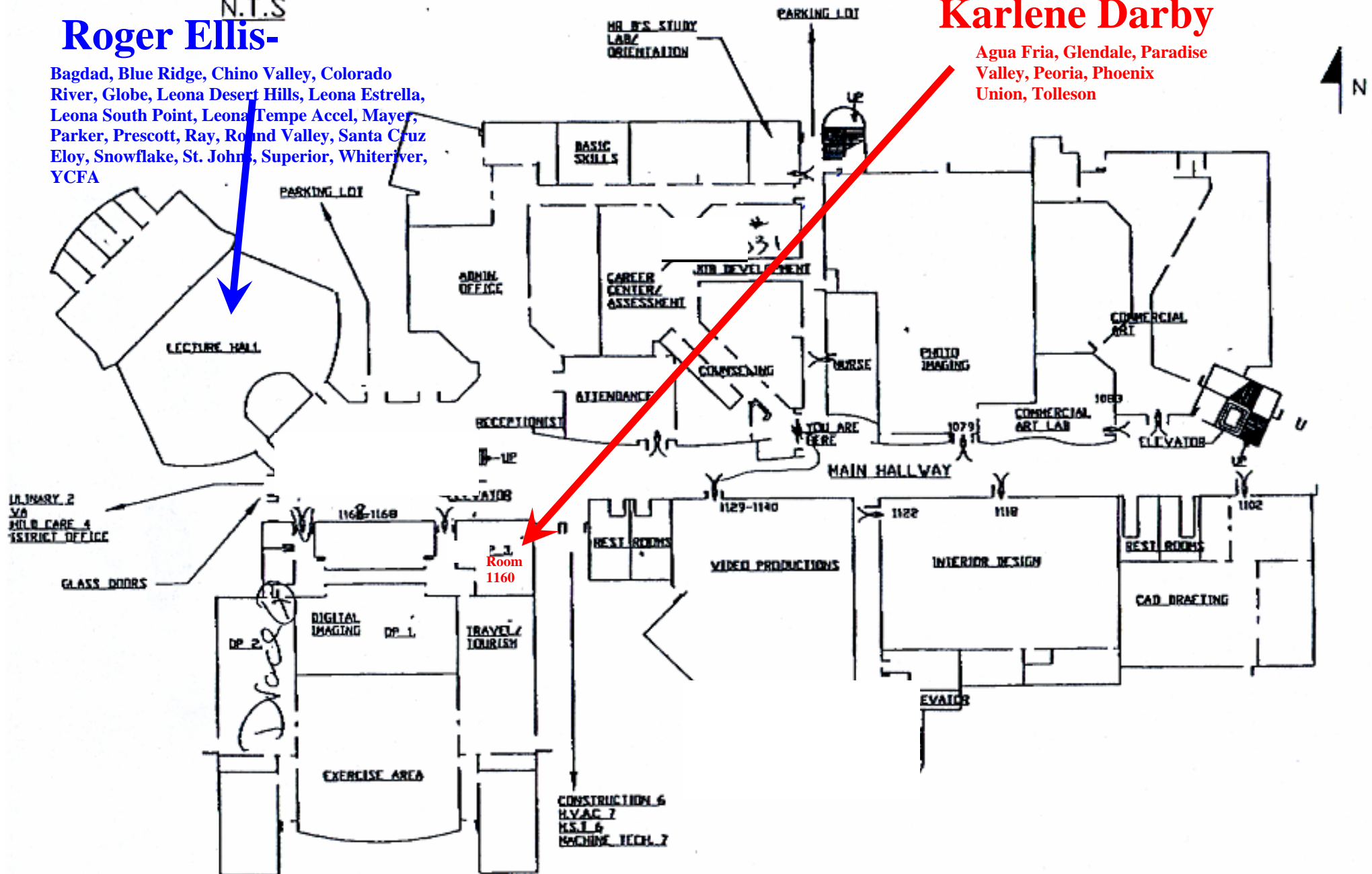
EVIT BUILDING ONE MAP OF FIRST FLOOR

N.T.S

Roger Ellis-

Bagdad, Blue Ridge, Chino Valley, Colorado River, Globe, Leona Desert Hills, Leona Estrella, Leona South Point, Leona Tempe Accel, Mayer, Parker, Prescott, Ray, Round Valley, Santa Cruz Eloy, Snowflake, St. Johns, Superior, Whiteriver, YCFA

Karlene Darby

Agua Fria, Glendale, Paradise Valley, Peoria, Phoenix Union, Tolleson

N

PARKING LOT

HR B'S STUDY LAB/ ORIENTATION

PARKING LOT

BASIC SKILLS

ADMIN OFFICE

JOB DEVELOPMENT

CAREER CENTER/ ASSESSMENT

COMMERCIAL ART

LECTURE HALL

COUNSELING

NURSE

PHOTO IMAGING

ATTENDANCE

COMMERCIAL ART LAB

RECEPTIONIST

YOU ARE HERE

1079

ELEVATOR

UP

UP

ELEVATOR

1129-1140

MAIN HALLWAY

1122

1118

1102

LIBRARY 2
VA
MILD CARE 4
DISTRICT OFFICE

1168-1160

P.1

REST ROOMS

VIDEO PRODUCTIONS

INTERIOR DESIGN

REST ROOMS

Room 1160

GLASS DOORS

DIGITAL IMAGING

DP 1

TRAVEL/ TOURISM

CAD DRAFTING

DP 2

EXERCISE AREA

ELEVATOR

CONSTRUCTION 6
H.VAC 7
K.S.1 6
MACHINE TECH 7

Culinary Building

Jeanne Roberts—
Buckeye, Camp Verde, Cave Creek, Dysart, Flagstaff, Fountain Hills, Ft. Thomas, Gila Bend, Humboldt, Lake Havasu, Mingus, PACE, Pima Partnership, Pima Unified, Queen Creek, Saddle Mountain, Sedona, Tempe, Williams, Winslow, Scottsdale

Gerry Corcoran—
AIBT, Ajo, Apache Junction, Chandler, Colorado City, EVIT, Gilbert, Higley, Indian Oasis, Kingman, Mesa

Rose Hurwitz—
Grand Canyon, Holbrook, Maricopa, Miami, Payson, StarShine, Wickenburg

FOYER

State Supervisors, Finance, Accountability, Workforce Development, Non-Traditional Folks

"Audits & Fiscal Monitoring"

Ted Davis, Manager, Career & Technical Education (CTE)

Grants & MIS

An Increased Focus On Audit

- No one in Washington seems to be talking about the **Cooperative Audit Resolution and Oversight Initiative – CAROI** any more.

- The Office of Inspector General (OIG) is conducting their own audits of eligible recipients and specific federal programs.

- The Office of the Chief Financial Officer (OCFO), the U.S. Department of Education, is conducting assessments of state Title I and III fiscal monitoring.

Issues Related to The A -133 Single Audits

- Questions related to the quality or value of the A–133 audits are being raised.

- The realization that smaller federal programs are not being audited.

  - Schools or districts that expend less than the $500,000 audit threshold.

  - Programs like the Carl D. Perkins programs, under the "risk provisions" of the A-133 guidelines, are being passed over. Auditors continue to audit the larger grants like Title I and Special Education program grants.

Related to Audit Is Fiscal Progam Monitoring

- The first warning signs of a new, additional audit concern surfaced in 2005.

  The OIG cited the failure of Louisiana, Colorado, Idaho and Florida to adequately conduct fiscal program monitoring activities.

- In 2006 the Arizona Department of Education was cited for inadequate fiscal program monitoring of two of its flow-through programs.

OCFO Issues -

From the Office of the Chief Financial Officer, USDOE[1]

- 249 Findings

- 48% - Related to procurement and distribution

- 38% - Equipment controls

- 9% - Audit issues –

  - o Inadequate follow-through on corrective plans of action.

  - o Reports not timely, inadequate or could not be found.

  - o Inadequate guidance related to recipient corrective plans of action.

[1]Fiscal Components of Title I & III Monitoring and a Summary of Recent Findings, James Evans, Managing Federal Education Grants Fall Forum, Nov. 30, 2006.

Forecasted Changes To EDGAR & OMB Circular A-133

EDGAR rule making, which should go into effect in federal FY 2007, will affect direct/discretionary grant administration in four areas –

1. Pre-award review requirements of applicant administrative capability and financial responsibility.[1]

   - Financial management.

   - Cash management.

   - Time accounting (time & effort).

   - Property management.

[1] Cost Allocation Confessions ,Ted Mueller, Indirect Cost Group, OCFO Presentation, Dec.1, 2006 Brustein & Manasevits Fall Forum

Why Program Monitoring?

- It includes recipients who expended less than $500,000.

- Section 230(b)(2) of A-133 and Attachment B, Section 4.c.of OMB Circular A-87 make the costs of agreed-upon procedures engagements on LEA's and other subgrantees **allowable** if expenditures are below the $500,000 threshold.

  Two Conditions –

  1. The scope is restricted to mainly program-specific requirements, rather than organization-wide ones.

  2. The State must arrange and pay for the agreed-upon procedures engagements.

Why Program Monitoring?

- It includes programs that often are not audited – such as the Perkins vocational programs.

- Fiscal program monitoring is required per:

  - 34 CFR §80.40

  - OMB Circular A-133, Section 400(d)(3)

  - OMB Circular A-133, Section M, Subrecipient Monitoring, Compliance Requirements

Audit & Program Montoring Overlap

- Compliance with the provisions of your grant/program regulations and your approved grant application.

- Procurement.

- Property management.

- Time & effort reporting/documentation.

- Grant period issues – When may costs be charged to a grant; are they charged to the correct grant-year, etc.?

The Recipient's Approved Grant

The School or District's Approved Grant Application

- Did the recipient perform those grant activities identified in their approved application.

- Did they submit reports required by the grant, such as:

  - Mid-year and final narrative progress reports?

  - Financial completion reports?

  - Performance measures reports?

  - Etc.?

- Did costs and expenditures appear to be allowable under the allowable costs provisions of the Act or regulations applicable to the actual grant and the appropriate OMB Circular (A-87 for K-12 programs) ?

  - Cash management reports?

The School or District's Approved Grant Application (Cont.)

- Did the recipient buy only items identified in their approved equipment/capital list?

- Can the expenditure be traced back to their property management system through a requisition, the claim, the school's/district's general ledger, etc.?

- Do expenditures included on the grant's fiscal completion report track back to the correct revenue accounts, the general ledger, etc.?

- Were costs coded correctly, relative to their approved use in the approved grant and USFR coding guidelines?

- Etc.

Procurement - Primary Concerns/Issues

- Did the recipient appear to comply with the appropriate procurement regulations for their type of organization?

- K-12 schools/districts –

    - ARS §15-213, Procurement Practices of Schools…

    - Arizona Administrative Code R7-2-1001, Article 10., School District Procurement.

    - Arizona Administrative Code R7-2-1101, Article 11., School District Procurement Continued.

    - The USFR Guidelines – Online go to … (http://www.auditorgen.state.az.us/manuals_schooldistrict.htm)

Property Management

Time & Effort
(Personnel Costs)

Grant Period

- Did the recipient have an approved or substantially approved grant in place before they began to obligate grant funds?

- Were expenditures charged to the correct fiscal year?

- EDGAR 34 CFR § 34 CFR 76.707 & 76.708.

- ARS §15-905.N. allows for the prepayment of certain expenses.

Who Should Be Monitored First - Risk Analysis

- Recipients who fail to submit their required A-133 audits to the ADE.

- Recipients (under $500,000 in federal funds) who fail to submit their required financial statement audits per ARS §15-914.

- Recipients that consistently fail to file their financial completion reports on time.

- Recipients that consistently fail to file programmatic required reports on time.

- Program staff identified concerns.

- In response to concerns raised by recipient employees, board members, parents, etc.

What are Arizona Auditors Finding

- Labor distribution

- Eligibility

- Documentation of transactions, cash management, allocations, schoolwide plans, comparability reports, etc…

- Procurement

- Supplanting/Comparability

RV

Your Library

LEA – Eligible Recipients

- Program law & applicable regulations.

- Your school, district or college guidelines related to –

  - State financial reporting requirements.

  - State and local procurement requirements.

  - State and local inventory and personal property control requirements.

  - K-12, OMB Circular A-87.

  - College or university, OMB Circular A-21 (When the college is the Tech Prep fiscal agent).

  - Nonprofits, OMB Circular A-122.

  - The consolidated audit requirements – OMB Circular A-133.

Your Library - Cont.

➢ **OMB Circular A-133; the Cross Cutting Section and Your Program-Specific Compliance Supplement**

➢ **EDGAR (34 CFR 74 – 99)**

➢ **USFR**

➢ **USFR Program Memorandum No. 185 Audit Compliance Questionnaire**

➢ **Title 15 (Education)**

➢ **Recent legislation related to your program**

On-Line Resources -

- **Federal Program Offices – http://www.ed.gov**

- **Perkins Act – http://www.ade.az.gov/cte/downloads/PerkinsIV081206.pdf**

- **OMB Circulars – http://www.whitehouse.gov/omb/circulars**

- **EDGAR –http://www.ed.gov/policy/fund/reg/edgarReg/edgar.html**

- **Title 15, Current Bills, etc. – ALIS www.azleg.state.az.us**

- **Auditor General –
  http://www.auditorgen.state.az.us/manuals_schooldistrict.htm**

- **OIG Website – www.ed.gov (Click on "Offices", left-hand column, then select
  "Offices of Inspector General", "home-page".**

Questions ?

Contact Information -

Ted Davis –

- 602-542-5349

- ted.davis@azed.gov